

<u>Facilities-Based Provider (AR)</u>	<u>Change in Mkt. Cap.¹</u>	<u>Current Financial Situation</u>
Alltel Communications	- 15.71%	2 nd Quarter 2001 profits declined 4%; ² 1 st Quarter 2001 earnings fell by over \$20 million; ³ announced in February 2001 plans to lay off 1,000 employees and reduce number of operating regions from five to three. ⁴
Logix Communications		Reported 2 nd Quarter 2001 revenue decrease of 7.2%; ⁵ year 2000 revenue decrease of 4.6%; ⁶ and year 1999 loss of \$37.7. ⁷
McLeod USA	- 94.55%	Reported 2 nd Quarter 2001 net loss of \$131.7 million, lowered its revenue cash-flow targets for 2001 and 2002; ⁸ announced in May 2001 elimination of 600 jobs (5% of workforce) and cut 2001-2002 capital expenditure plan by \$300 million, curbing ability to expand; ⁹ reported 1 st Quarter 2001 loss of \$187 million. ¹⁰
Navigator Telecommunications		Told Arkansas Public Service Commission would not take new orders for residential service, citing its operational and pricing issues with Southwestern Bell. ¹¹
WorldCom Technologies	- 61.60%	Announced in August 2001 cut in capital spending by \$2 billion for 2002; ¹² reported in July 2001 decreased net income of 85%, earnings decrease of 26%, revenue decrease of 4.6%, and lowered outlook for full year, while MCI Group reported net loss of \$29 million and revenue decrease of 15%; ¹³ laid off 6,300 employees (6-7% of workforce) in February 2001, ¹⁴ 361 in March 2001, ¹⁵ and 832 in April 2001. ¹⁶
DSL.net	- 95.15%	Applied to FCC in July 2001 to discontinue interstate special access DSL service for high-speed Internet access in 22 states; ¹⁷ reported 2 nd Quarter 2001 net loss of \$23.6 million, and 1 st Quarter net loss of \$25.7 million; ¹⁸ Stephens Inc. dropped coverage in August 2001 because it believes DSL.net will run out of cash in next few months and be forced to file for bankruptcy; ¹⁹ announced in July 2001 that elimination of 90 jobs and closing 250 operational central offices, and expects to record a loss of \$80 to \$90 million in 2001; ²⁰ 1 st Quarter 2001 net loss widened to \$26.6 million, from \$18.3 million in 4 th Quarter 2000; ²¹ reported 4 th Quarter 2000 loss of just under \$30 million. ²²
Covad	- 97.28%	Filed for Chapter 11 Bankruptcy in August 2001 designed to eliminate \$1.4 billion in debt; ²³ shut down and dissolved BlueStar Communications Group network operations in June 2001 and Nasdaq has contacted regarding possible delisting; ²⁴ bondholders pressing management to halt spending, reported 2001 1 st Quarter net loss of \$199 million, laid off 1,200 employees in recent months, and closed 350 local equipment hubs. ²⁵
New Edge Networks		Since February 2001 has scaled back service (shifted focus away from DSL to wide-area networks and virtual private networking, as well as retreated from markets in Georgia and Florida) and expansion plans (installed equipment in half the number of central

		offices nationwide as originally intended), altered business plan because could not secure additional money to pay for expensive start-up/expansion, and laid off 40% of workforce since November 2000. ²⁶
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¹ The figures in this column represent the percentage below the 52-week high for the respective publicly-traded stocks, as calculated by Morningstar.com at the close of trading on September 5, 2001.

² See Jeffrey Bartash, *Alltel profit dips 4%, but sales climb*, CBSMARKETWATCH.COM (August 1, 2001) <<http://quote.fool.com/news/symbolnews.asp?guid={908CCEE3-FD71-4EEF-BF4C-951E306D6BCC}&currticker=AT&symbols=AT&nx=37104.4958333333-786266152&bx=>>.

³ See Yi Ping Ho, *Alltel Meets Earnings Estimates*, THESTREET.COM (April 25, 2001) <<http://www.thestreet.com/brknews/telecom/1404194.html>>.

⁴ See Aileen Gallagher, *Alltel to Cut 1,000 Jobs, Maintain Three Regional Headquarters*, THESTREET.COM (February 15, 2001) <<http://www.thestreet.com/tech/telecom/1308185.html>>.

⁵ See *Quarterly Report* (Form 10-Q submitted to the SEC) (August 14, 2001) <<http://freedgar.com>>.

⁶ See Richard Mize, *New Oklahoma City Building to Serve as Headquarters for Cellular Services Firm*, THE DAILY OKLAHOMAN, April 30, 2001, available in 2001 WL 19711275.

⁷ See Logix Communications reports loss for 1999, THE JOURNAL RECORD, April 3, 2000, available in 2001 WL 14294330.

⁸ See *No Silver Lining for McLeod*, MULTICHANNEL NEWS, August 6, 2001, available in 2001 WL 8716362.

⁹ See S.P. Dinnen, *McLeod to save by idling 500-600*, THE DES MOINES REGISTER, May 31, 2001, available in 2001 WL 6784686.

¹⁰ See S.P. Dinnen, *McLeod has gains and losses*, THE DES MOINES REGISTER, May 3, 2001, available in 2001 WL 6780744.

¹¹ See Glenn Bischoff, *The 15th Checkpoint? Arkansas commission asks FCC to define competition*, TELEPHONY, July 30, 2001, available in 2001 WL 6908688.

¹² See *WorldCom's Spending Slowdown is Bad News for Gear Firms*, COMMUNICATIONS TODAY, September 4, 2001, available in 2001 WL 6734123.

¹³ See *WorldCom Group's Net Tumbles 85%; Company Reaffirms Lowered Outlook* (July 26, 2001) <<http://news.morningstar.com/news/DJ/M07/D26/96155845910.html>>.

¹⁴ See Reuters, *WorldCom Gives Pink Slips to About 6,000 Workers* (Feb. 28, 2001) <<http://quote.fool.com/news/symbolnews.asp?symbols=WCOM&currticker=WCOM&format=decimal&lpp=10&dtfrom=1%2F19%2F2001+3%3A13%3A28+PM&dtto=4%2F19%2F2001+3%3A13%3A28+PM&sourcetype=1&exch=NYSE%2CNASDAQ%2CAMEX%2CMF%2CU%2CUS%2CUSMF&cdnsortby=Date&sid=594246&pos=97&action=gs>>.

¹⁵ See Bernard Hodes Group, *Labor Force Briefs*, MONITOR (April 1, 2001) <http://www.hrplaza.com/talk/PDFs/Monitor_04_01.pdf>.

¹⁶ See Tim Richardson, *WorldCom to axe 800 UK jobs*, THE REGISTER (May 2, 2001) <<http://www.theregister.co.uk/content/22/18578.html>>.

¹⁷ See *Today's Key FCC Actions*, WASHINGTON TELECOM NEWSWIRE, August 16, 2001, available in 2001 WL 7162383.

¹⁸ See *DSL.net Reports Second Quarter Revenue Up 195% Over Year; Net Loss, Restructuring Charges, Improves 13% Over Last Year; First Half Revenue Surpasses Full Year 2000 Revenue*, BUSINESS WIRE (August 1, 2001) <<http://news.morningstar.com/BW/M08/D01/96738738735830.html>>.

¹⁹ See Dinah Wisenberg Brin, *Stephens Drops Coverage of DSL.net, Mpower*, DOW JONES NEWSWIRES (August 9, 2001) <<http://news.morningstar.com/news/DJ/M08/D09/97367902479.html>>.

²⁰ See Rodney L. Pringle, *DSL.net Cuts 90 Jobs, Lowers 2001 Outlook*, COMMUNICATIONS TODAY, July 3, 2001, available in 7/3/01 COMTD.

²¹ See James Connell, *Tech Brief: DSL.net Loss Grows*, INTERNATIONAL HERALD TRIBUNE, May 3, 2001, available in 2001 WL 4854405.

²² See Dick Kelsey, *DSL.net 4Q Losses Triple Year-ago Quarter*, NEWSBYTES NEWS NETWORK, February 28, 2001, available in 2001 WL 2815991.

²³ See *Covad Communications Group, Inc.: Reorganization Plan is Filed; Service Won't Be Disrupted*, THE WALL STREET JOURNAL, August 28, 2001, available in 2001 WL-WSJ 2873990.

²⁴ See *Covad's BlueStar Network to Shut Down* (June 25, 2001)

<<http://news.morningstar.com/news/DJ/MJ/M06/D25/93478460760.html>>.

²⁵ See Mitchell Pacelle & Shawn Young, *Deals & Deal Makers: Bondholders Press Telecom Firms to Halt Spending Spree*, THE WALL STREET JOURNAL, July 2, 2001, available in 2001 WL-WSJ 2868311.

²⁶ See Jeffrey Kosseff, *Evolution Key to New Edge Networks' Survival*, THE OREGONIAN, August 13, 2001, available in 2001 WL 3610711; Steve Woodward, *Portland, Ore., Tech Firms Hold Their Own in Year of Highs, Lows*, THE OREGONIAN, March 12, 2001, available in 2001 WL 16511374; Mike Rogoway, *New Edge's Strategy: Cut Jobs, Refocus*, THE COLUMBIAN, February 23, 2001, available in 2001 WL 6279767.

<u>Facilities-Based Provider (MO)</u>	<u>Change in Mkt. Cap.¹</u>	<u>Current Financial Situation</u>
AT&T	- 22.53%	Posted overall loss of \$191 million for 2 nd Quarter 2001, ² following net loss of \$373 million for 1 st Quarter; ³ expects a significant decline in revenue from consumer long-distance customers (15% decrease for first-quarter 2001); ⁴ announced in August 2001 closing San Antonio office (590 employees); ⁵ has written off more than \$3 billion on its Excite@Home investment. ⁶
AT&T Broadband		Comcast offered to purchase for \$44 billion in July 2001; ⁷ 1 st Quarter 2001 operating cash flow fell by 22% and cash-flow margins dropped to 16%; ⁸ laid off 4,500 employees in 2001, ⁹ including 1,200 in the 2 nd Quarter, ¹⁰ 130 in July, ¹¹ 233 in June, ¹² and 309 in January. ¹³
Birch Telecom		Withdrew initial public offering in May 2001 due to poor market conditions; ¹⁴ reported 1 st Quarter 2001 net losses of \$46.9 million; ¹⁵ laid off 306 employees on February 23, 2001, and 138 on November 13, 2000 (combined, about 28% of its workforce). ¹⁶
Global Crossing	- 90.70%	U.S. Department of Defense canceled \$400 million contract with company in August 2001; ¹⁷ rumors persist of impending bankruptcy; ¹⁸ reported 2 nd Quarter 2001 loss of \$629.6 million, reduced growth and revenue outlook for year, eliminating 2,000 jobs (15% of workforce), will close 100 facilities worldwide, and lost \$516 million in year 2000. ¹⁹
Intermedia Communications		Acquired and will be absorbed by WorldCom, which in August 2001 agreed to sell Intermedia's Internet services; ²⁰ reported 1 st Quarter 2001 net loss of \$224.1. ²¹
McLeod USA	- 94.55%	Reported 2 nd Quarter 2001 net loss of \$131.7 million, lowered its revenue cash-flow targets for 2001 and 2002; ²² announced in May 2001 elimination of 600 jobs (5% of workforce) and cut 2001-2002 capital expenditure plan by \$300 million, curbing ability to expand; ²³ reported 1 st Quarter 2001 loss of \$187 million. ²⁴
Navigator Telecommunications		Told Arkansas Public Service Commission would not take new orders for residential service, citing its operational and pricing issues with Southwestern Bell. ²⁵
Omniplex Communications		Filed for Chapter 11 bankruptcy in March 2001. ²⁶
Sprint	- 38.15%	2 nd Quarter 2001 net income declined 21% because of rising costs and lackluster sales of long-distance service, and revenue slipped 3.1%. ²⁷
Sprint PCS	- 53.44%	Reported 2 nd Quarter 2001 loss of \$247 million. ²⁸
Talk America Holdings (formerly Talk.com)	- 93.65%	California Public Utilities Commission investigating allegedly deceptive telemarketing practices ("slamming" and "cramming"); ²⁹ reported 2 nd Quarter 2001 loss of \$62.7 million, total revenue drop of \$133.7 million, and lost \$72.8 million for first six months of 2001; ³⁰ reported 1 st Quarter 2001 loss of \$10.7

		million and revenue drop of \$137.8 million. ³¹
WorldCom Technologies	- 61.60%	Announced in August 2001 cut in capital spending by \$2 billion for 2002, ³² reported in July 2001 decreased net income of 85%, earnings decrease of 26%, revenue decrease of 4.6%, and lowered outlook for full year, while MCI Group reported net loss of \$29 million and revenue decrease of 15%; ³³ laid off 6,300 employees (6-7% of workforce) in February 2001, ³⁴ 361 in March 2001, ³⁵ and 832 in April 2001. ³⁶
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¹ The figures in this column represent the percentage below the 52-week high for the respective publicly-traded stocks, as calculated by Morningstar.com at the close of trading on September 5, 2001.

² See *AT&T Broadband Boosts Financial Numbers, New Services*, WARREN'S CABLE REGULATION MONITOR, July 30, 2001, available in 2001 WL 8146764.

³ See Andy Pelander, *CLEC: Tower of Babel*, UPSIDE MAGAZINE, August 1, 2001, available in 2001 WL 2023187.

⁴ See Jonathan Burns, *Long-Distance Cos Continue to Roll with Price Declines* (April 16, 2001)

<<http://interactive.wsj.com/fr/emailthis/retrieve.cgi?id=BT-CO-20010416-001520.djml>>.

⁵ See *Update*, ALLENTOWN MORNING CALL, August 30, 2001, available in 2001 WL 23157860.

⁶ See *Excite Investor Seeks Payment of \$50 Million* (August 28, 2001)

<<http://news.morningstar.com/news/DJ/M08/D28/98971210102.html>>/

⁷ See *Comcast Makes \$44 Billion Bid for AT&T's Broadband Unit* (July 8, 2001)

<<http://news.morningstar.com/news/DJ/M07/D08/94628065448.html>>.

- ⁸ See Marc Gunther, *Dead Ma Walking: AT&T has mismanaged its cable systems from the start. Now suitors are circling. Will Wall Street buy Ma Bell's problem child?*, FORTUNE MAGAZINE, July 9, 2001, available in 2001 WL 2172977.
- ⁹ See Business: Briefing, DENVER POST, May 31, 2001, available in 2001 WL 6753614.
- ¹⁰ See *In the States*, CABLEFAX, May 21, 2001, available in 2001 WL 17517110.
- ¹¹ See *Pink Slips*, CABLEFAX, July 2, 2001, available in 7/2/01 CABLEFAX.
- ¹² See *Employers in State to Cut 800 Jobs*, THE HARTFORD COURANT, June 27, 2001, available in 2001 WL 4571288.
- ¹³ See David McGuire, *AT&T Broadband lays off 309 Atlanta employees* (January 8, 2001) <<http://www.computeruser.com/news/01/01/08/news5.html>>.
- ¹⁴ See *IPO Outlook: Birch Telecom*, THE DAILY DEAL, May 18, 2001, available in 2001 WL 20233550.
- ¹⁵ See Suzanne King, *Revenue, Loss higher at Birch Phone; Company's president says it is meeting goals*, THE KANSAS CITY STAR, available in 2001 WL 2601872.
- ¹⁶ See Associated Press, *Birch Telecom Lays Off 306 Workers* (February 23, 2001) <<http://www.siliconvalley.com/docs/hottopics/telecomm/073041.htm>>.
- ¹⁷ See *Global Crossing deal falls through*, USA TODAY, August 20, 2001, available in 2001 WL 5469466.
- ¹⁸ See Michael Lewis, *Teleglobe slashes spending, 450 jobs; Network traffic dwindles; Service provider may need help from parent BCE*, NATIONAL POST, August 31, 2001, available in 2001 WL 27077355.
- ¹⁹ See Christine Nuzum, *Updated Story*, DOW JONES NEWSWIRES (August 1, 2001) <<http://news.morningstar.com/news/DJ/M08/D01/96738787925.html>>.
- ²⁰ See Cherie Jacobs, *Justice Department Says Internet Services Must Go*, THE TAMPA TRIBUNE, September 1, 2001, available in 2001 WL 26690448.
- ²¹ See *Intermedia posts \$4.58 per share first-quarter loss*, REUTERS (May 15, 2001) <<http://www.siliconvalley.com/docs/news/tech/047310.htm>>.
- ²² See *No Silver Lining for McLeod*, MULTICHANNEL NEWS, August 6, 2001, available in 2001 WL 8716362.
- ²³ See S.P. Dinnen, *McLeod to save by idling 500-600*, THE DES MOINES REGISTER, May 31, 2001, available in 2001 WL 6784686.
- ²⁴ See S.P. Dinnen, *McLeod has gains and losses*, THE DES MOINES REGISTER, May 3, 2001, available in 2001 WL 6780744.
- ²⁵ See Glenn Bischoff, *The 15th Checkpoint? Arkansas commission asks FCC to define competition*, TELEPHONY, July 30, 2001, available in 2001 WL 6908688.
- ²⁶ See Suzanne King, *Omniplex files for Chapter 11*, THE KANSAS CITY STAR, March 2, 2001, available in 2001 WL 2593865.
- ²⁷ See Andrea Peterson, *Sprint Profit Drops: Its Wireless Division Posts Narrower Loss*, THE WALL STREET JOURNAL, July 20, 2001, available in 2001 WL-WSJ 2870177.
- ²⁸ See *id.*
- ²⁹ See *Calif. PUC Looks At Talk America's Marketing Practices*, DOW JONES (September 4, 2001) <<http://news.morningstar.com/news/DJ/M09/D04/99623299550.html>>.
- ³⁰ See *Financial: In Brief*, THE WASHINGTON POST, August 9, 2001, available in 2001 WL 23185609.
- ³¹ See *Financial: In Brief*, THE WASHINGTON POST, May 4, 2001, available in 2001 WL 17626053.
- ³² See *WorldCom's Spending Slowdown is Bad News for Gear Firms*, COMMUNICATIONS TODAY, September 4, 2001, available in 2001 WL 6734123.
- ³³ See *WorldCom Group's Net Tumbles 85%; Company Reaffirms Lowered Outlook* (July 26, 2001) <<http://news.morningstar.com/news/DJ/M07/D26/96155845910.html>>.
- ³⁴ See Reuters, *WorldCom Gives Pink Slips to About 6,000 Workers* (Feb. 28, 2001) <<http://quote.fool.com/news/symbolnews.asp?symbols=WCOM&currticker=WCOM&format=decimal&lpp=10&dtfrom=1%2F19%2F2001+3%3A13%3A28+PM&dtto=4%2F19%2F2001+3%3A13%3A28+PM&sourcetype=1&exch=NYSE%2CNASDAQ%2CAMEX%2CMF%2CU%2CUS%2CUSMF&cdnsortby=Date&sid=594246&pos=97&action=gs>>.
- ³⁵ See Bernard Hodes Group, *Labor Force Briefs*, MONITOR (April 1, 2001) <http://www.hrplaza.com/talk/PDFs/Monitor_04_01.pdf>.
- ³⁶ See Tim Richardson, *WorldCom to axe 800 UK jobs*, THE REGISTER (May 2, 2001) <<http://www.theregister.co.uk/content/22/18578.html>>.

³⁷ See *Today's Key FCC Actions*, WASHINGTON TELECOM NEWSWIRE, August 16, 2001, available in 2001 WL 7162383.

³⁸ See *DSL.net Reports Second Quarter Revenue Up 195% Over Year; Net Loss, Restructuring Charges, Improves 13% Over Last Year; First Half Revenue Surpasses Full Year 2000 Revenue*, BUSINESS WIRE (August 1, 2001) <<http://news.morningstar.com/BW/M08/D01/96738738735830.html>>.

³⁹ See Dinah Wisenberg Brin, *Stephens Drops Coverage of DSL.net, Mpower*, DOW JONES NEWSWIRE (August 9, 2001) <<http://news.morningstar.com/news/DJ/M08/D09/97367902479.html>>.

⁴⁰ See Rodney L. Pringle, *DSL.net Cuts 90 Jobs, Lowers 2001 Outlook*, COMMUNICATIONS TODAY, July 3, 2001, available in 7/3/01 COMTD.

⁴¹ See James Connell, *Tech Brief: DSL.net Loss Grows*, INTERNATIONAL HERALD TRIBUNE, May 3, 2001, available in 2001 WL 4854405.

⁴² See Dick Kelsey, *DSL.net 4Q Losses Triple Year-ago Quarter*, NEWSBYTES NEWS NETWORK, February 28, 2001, available in 2001 WL 2815991.

⁴³ See *Covad Communications Group, Inc.: Reorganization Plan is Filed; Service Won't Be Disrupted*, THE WALL STREET JOURNAL, August 28, 2001, available in 2001 WL-WSJ 2873990.

⁴⁴ See *Covad's BlueStar Network to Shut Down* (June 25, 2001) <<http://news.morningstar.com/news/DJ/MJ/M06/D25/93478460760.html>>.

⁴⁵ See Mitchell Pacelle & Shawn Young, *Deals & Deal Makers: Bondholders Press Telecom Firms to Halt Spending Spree*, THE WALL STREET JOURNAL, July 2, 2001, available in 2001 WL-WSJ 2868311.

⁴⁶ See Jeffrey Kosseff, *Evolution Key to New Edge Networks' Survival*, THE OREGONIAN, August 13, 2001, available in 2001 WL 3610711; Steve Woodward, *Portland, Ore., Tech Firms Hold Their Own in Year of Highs, Lows*, THE OREGONIAN, March 12, 2001, available in 2001 WL 16511374; Mike Rogoway, *New Edge's Strategy: Cut Jobs, Refocus*, THE COLUMBIAN, February 23, 2001, available in 2001 WL 6279767.